

Message Text

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ACTION EUR-12

INFO OCT-01 ISO-00 ONY-00 SS-15 SSO-00 /028 W
-----069709 171503Z /40

O 171354Z FEB 78
FM AMEMBASSY REYKJAVIK
TO SECSTATE WASHDC IMMEDIATE 8159

C O N F I D E N T I A L SECTION 1 OF 2 REYKJAVIK 0248

FOR EUR ONLY FROM AMBASSADOR

E.O. 11652: GDS
TAGS: PPR, IC
SUBJECT: U.S. GOALS AND OBJECTIVES-ICELAND

REF: (A) 77 STATE 291277; (B) REYKJAVIK A-06; (C) STATE 041479

1. OVERVIEW

THE UNITED STATES HAS TRADITIONALLY ENJOYED CLOSE AND COOPERATIVE RELATIONS WITH ICELAND. THOSE RELATIONS ARE BASED ON A COMMON MEMBERSHIP IN NATO, ON AGREEMENTS FOR THE DEFENSE OF ICELAND BY AMERICAN-MANNED ICELAND-DEFENSE FORCE, ON ICELAND'S STRONG INTEREST IN THE AMERICAN MARKET FOR ICELAND'S FISH, THE EXPORT OF WHICH PROVIDES THE UNDERPINNING FOR THE ICELANDIC PROSPERITY, AND ICELANDIC AIRLINES, A MAJOR FOREIGN EXCHANGE EARNER AND SOURCE OF NATIONAL PRIDE. GEOGRAPHIC PROXIMITY, SHARED CULTURAL VALUES, AND THE WIDESPREAD USE OF ENGLISH BY ICELANDERS IN GOVERNMENT, THE ARTS, AND IN BUSINESS FACILITATE COMMUNICATION AND THE STRENGTHENING OF UNOFFICIAL AS WELL AS OFFICIAL TIES. HAVING ACHIEVED ITS 200-MILE FISHERIES JURISDICTION, ICELAND DOES NOT PERCEIVE THE UNITED STATES AS ANY THREAT TO ITS MAJOR NATIONAL ECONOMIC INTEREST, AND MOST ICELANDERS, INCLUDING THE PRESENT GOVERNMENT, ACCEPT THE UNITED STATES AS ICELAND'S SHIELD AGAINST AGGRESSION FROM OUTSIDE NATO.

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2. GOALS AND OBJECTIVES

THE GOALS AND OBJECTIVES INDICATED IN 77 STATE 295574 AS MODIFIED BY REYKJAVIK 0014 SATISFACTORILY REFLECT THE LIMITED BUT IMPORTANT U.S. POLITICAL AND STRATEGIC INTERESTS WITH RESPECT TO ICELAND. THEIR ACHIEVEMENT, INCLUDING ICELANDIC RECEPTIVENESS TO U.S. APPROACHES

ON "THIRD WORLD" OR MULTILATERAL ISSUES, WILL BE AFFECTED SIGNIFICANTLY BY POLICY DECISIONS NOW PENDING IN WASHINGTON. THEIR ACHIEVEMENT WILL ALSO BE AFFECTED BY ICELANDIC INTERNAL DEVELOPMENTS, NOTABLY THE NATIONAL ELECTIONS, WHICH MUST TAKE PLACE BY JUNE 1978, AND BY THE ABILITY OF THE PRESENT ICELANDIC GOVERNMENT TO SOLVE THE COUNTRY'S PRESSING INFLATION PROBLEM AND REMAIN IN POWER.

3. ACCOMPLISHMENT OF U.S. GOALS AND OBJECTIVES: COURSES OF ACTION

ACCOMPLISHMENT OF THE U.S. OBJECTIVES INDICATED IN 77 STATE 295574 SHOULD BE POSSIBLE IF THE FOLLOWING COURSES OF ACTION ARE PURSUED:

-- CONTINUED FULFILLMENT OF THE SPIRIT AS WELL AS THE LETTER OF THE MEMORANDUM OF UNDERSTANDING OF 1974 BETWEEN THE UNITED STATES AND ICELAND WITH A VIEW CHIEFLY TO MINIMIZING THE MILITARY PROFILE OF THE UNITED STATES IN ICELAND. IN THIS CONNECTION, U.S. AGREEMENT TO ASSIST IN CONSTRUCTION OF DUAL-PURPOSE AIR TERMINAL AT THE BASE, SEPARATE FROM THE MILITARY FACILITIES, IS OF MAJOR IMPORTANCE. IN THE ABSENCE OF SUCH AN AGREEMENT, THE POTENTIAL FOR FRICTION, EVEN WITH A FRIENDLY GOVERNMENT, WILL INCREASE, AND THE USG WOULD ENCOUNTER MUCH MORE DIFFICULTY IN TRYING TO BRING THE GOI ALONG ON MATTERS OF CONCERN TO THE USG. DEMANDS FOR "COMPENSATION" FROM THE USG WOULD ALSO INCREASE SIGNIFICANTLY. THE CONFIDENTIAL

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EMBASSY HAS STRONGLY URGED APPROVAL AND SUPPORT BY WASHINGTON OF THE DUAL-PURPOSE CONCEPT AND IS AWAITING ITS DECISION;

-- COOPERATION WITH THE GOI IN THE EXTENSION OF THE GEOTHERMAL FACILITIES TO THE NATO BASE. THIS WOULD IDENTIFY THE U.S. TO THE LATTER'S ADVANTAGE WITH A MAJOR ICELANDIC ECONOMIC INTEREST. FOR THIS REASON THE EMBASSY HAS ENDORSED SUCH COOPERATION TO WASHINGTON AND AWAITS ITS DECISION;

-- EXPANSION OF CULTURAL, EDUCATIONAL AND OTHER EXCHANGES BETWEEN THE UNITED STATES AND ICELAND (IV GRANTS, REYKJAVIK ARTS FESTIVAL, ENGLISH TEACHERS' SEMINARS); OF SCIENTIFIC COOPERATION BETWEEN THE TWO COUNTRIES (MARINE AND GEOLOGICAL RESEARCH); AND THE DEVELOPMENT OF ASSISTANCE IN OTHER NON-MILITARY AREAS, E.G., COAST GUARD TRAINING. THE EMBASSY IS GRATIFIED WITH THE SUPPORT IT HAS RECEIVED FROM WASHINGTON AGENCIES IN THESE AREAS, ALL OF WHICH BROADEN THE ICELANDIC PERCEPTION OF THE UNITED STATES AS A NATION AND SOCIETY;

-- PRESERVATION OF THE USIS CULTURAL CENTER IN REYKJAVIK AS AN EFFECTIVE INSTRUMENT FOR THE PROJECTION OF AMERICAN SOCIETY AND VALUES, PARTICULARLY INTO THE ICELANDIC

INTELLECTUAL AND ARTISTIC COMMUNITY. THE EMBASSY HAS BEEN DISAPPOINTED BY BUDGETARY REDUCTIONS WHICH HAVE FORCED THE CENTER TO ELIMINATE ITS FILM LENDING PROGRAM AND HAS EXPRESSED ITS CONCERNS ON THIS POINT TO WASHINGTON;

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ACTION EUR-12

INFO OCT-01 ISO-00 ONY-00 SS-15 SSO-00 /028 W
-----069787 171504Z /40

O 171354Z FEB 78
FM AMEMBASSY REYKJAVIK
TO SECSTATE WASHDC IMMEDIATE 8160

C O N F I D E N T I A L SECTION 2 OF 2 REYKJAVIK 0248

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-- CONTINUATION OF EFFORTS TO HOLD AND IF POSSIBLE ENLARGE THE U.S. SHARE OF ICELAND'S IMPORTS (CURRENTLY ABOUT 10 PERCENT) PARTICULARLY IN HIGH TECHNOLOGY PRODUCTS, E.G., GENERATORS FOR PROPOSED POWER PROJECTS. THESE EFFORTS CONSIST CHIEFLY OF EXPANDED PERSONAL CONTACTS BY THE EMBASSY WITH ICELANDIC IMPORTERS, PARTICULARLY OF HEAVY EQUIPMENT PRODUCTS, AND GREATER USE OF U.S. DEPARTMENT OF COMMERCE TRADE PROMOTION PROGRAMS.

4. KEY POLICY ISSUES FACING U.S. IN ICELAND, 1978-1980
ALTHOUGH THE MAJORITY OF THE ICELANDIC POPULACE FAVORS ICELAND'S NATO MEMBERSHIP AND A SMALLER MAJORITY PROBABLY CONTINUES TO FAVOR THE PRESENCE OF THE US-MANNED ICELANDIC DEFENSE FORCE (IDF), NATO AND THE IDF REMAIN SUBJECTS OF INTENSE POLITICAL DEBATE IN THE COUNTRY. THIS IS CHIEFLY BECAUSE OF THE HISTORICAL ISOLATION OF THE COUNTRY FROM THE MAINSTREAM OF EUROPEAN AND WORLD AFFAIRS, AND ICELANDIC SENSITIVITY OVER ANY FOREIGN PRESENCE THAT COULD WEAKEN ICELAND'S CULTURAL UNIQUENESS.
THEREFORE, OVER THE NEXT TWO YEARS, THE UNITED STATES MUST PERIODICALLY EXPECT ITS NATO/IDF CONNECTION TO COME UNDER ATTACK IN ICELAND, CHIEFLY BUT NOT EXCLUSIVELY FROM LEFTISTS. MODERATES WILL INCREASINGLY SCRUTINIZE THE ROLE OF THE IDF, POSSIBLY WITH AN EYE TOWARD
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REDUCING THE SIZE OF THE U.S. PRESENCE, PARTICULARLY IF PROGRESS IN DETENTE APPEARS TO BE TAKING PLACE. THE PRESERVATION OF THE NATO/IDF CONNECTION AND THE FORM THAT CONNECTION SHOULD TAKE WILL CONTINUE TO BE THE KEY POLICY ISSUE IN US-ICELANDIC RELATIONS OVER THE NEXT TWO YEARS.

A SECOND POLICY ISSUE WILL BE THE TERMS UNDER WHICH THE U.S. WILL CONTINUE TO HAVE ACCESS TO THE NATO FACILITY IN COOPERATION WITH A GOVERNMENT, SUCH AS THE PRESENT ONE, FRIENDLY TO NATO MEMBERSHIP AND DESIROUS OF MAINTAINING THE IDF. RECENTLY, DEMANDS HAVE INCREASED WITHIN THE MAJOR ICELANDIC POLITICAL PARTY (THE INDEPENDENCE PARTY), WHICH IS PRO-NATO AND PRO-IDF, FOR SOME FORM OF "COMPENSATION" TO ICELAND FOR THE FACILITIES IT MAKES AVAILABLE TO THE U.S. FENDING OFF THESE DEMANDS, PARTICULARLY IF ICELAND'S ECONOMIC SITUATION DETERIORATES, COULD BEDEVIL THE CORDIAL U.S.-ICELANDIC RELATIONS THAT HAVE HITHERTO EXISTED.

A THIRD POLICY ISSUE, RECENTLY RAISED IN WASHINGTON, IS THE DESIRE OF ICELAND TO HAVE LOS ANGELES AND BALTIMORE ADDED TO LOFTLEIDIR'S TRAFFIC POINTS IN THE UNITED STATES. LOFTLEIDIR IS ICELAND'S ONLY TRANS-ATLANTIC AIR LINE. ITS ECONOMIC SURVIVABILITY IS CRITICALLY DEPENDENT ON ITS ABILITY TO TAP THE AMERICAN TRAVEL MARKET IN FACE OF INCREASING, LOW-FARE COMPETITION. U.S. RESPONSIVENESS TO THE ICELANDIC REQUEST COULD AFFECT ICELANDIC ATTITUDES TOWARD COOPERATION WITH THE U.S. IN OTHER, NON-MILITARY AREAS OF INTEREST TO US.

FINALLY, A REMOTE BUT NOT IMPOSSIBLE POLICY ISSUE MAY BE THE NEED FOR ICELAND TO OBTAIN MULTINATIONAL AND INSTITUTIONAL FINANCIAL ASSISTANCE OVER THE NEXT TWO YEARS

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IF IT CANNOT BRING ITS ECONOMIC PROBLEMS UNDER CONTROL AND IF ITS FISH CATCH DECLINES EITHER IN VOLUME OR PRICE. THE GOI WOULD SEEK SUCH ASSISTANCE WITH EXTREME RELUCTANCE, BUT IF IT HAD TO DO SO IT WOULD LOOK TO THE U.S. FOR COOPERATION AND SUPPORT. IN ACHIEVING U.S. OBJECTIVES THE FOREGOING COURSES OF ACTION WILL REQUIRE MAINTENANCE OF CURRENT FUNDING LEVELS TO OPERATE THE MISSION, WITH SUCH ADJUSTMENTS AS MAY BE REQUIRED BY INFLATIONARY DEVELOPMENTS. MAINTENANCE OF THE PRESENT PERSONNEL CEILINGS,

AMERICAN AND LOCAL, EXCEPT FOR SUCH INCREASES AS MAY
BE WARRANTED BY SUBSTANTIAL INCREASES IN WORKLOAD,
WILL ALSO BE ESSENTIAL. EMBASSY BUDGETARY RECOM-
MENDATIONS SUBMITTED TO WASHINGTON REFLECT THESE
CONSIDERATIONS.

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Message Attributes

Automatic Decaptioning: Z
Capture Date: 01 jan 1994
Channel Indicators: n/a
Current Classification: UNCLASSIFIED
Concepts: FOREIGN RELATIONS, FOREIGN POLICY POSITION, ANNUAL REPORTS
Control Number: n/a
Copy: SINGLE
Draft Date: 17 feb 1978
Decaption Date: 20 Mar 2014
Decaption Note: 25 YEAR REVIEW
Disposition Action: RELEASED
Disposition Approved on Date:
Disposition Case Number: n/a
Disposition Comment: 25 YEAR REVIEW
Disposition Date: 20 Mar 2014
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
Document Number: 1978REYKJA00248
Document Source: CORE
Document Unique ID: 00
Drafter: n/a
Enclosure: n/a
Executive Order: GS
Errors: N/A
Expiration:
Film Number: D780074-0051
Format: TEL
From: REYKJAVIK
Handling Restrictions:
Image Path:
ISecure: 1
Legacy Key: link1978/newtext/t19780241/aaaabidr.tel
Line Count: 230
Litigation Code IDs:
Litigation Codes:
Litigation History:
Locator: TEXT ON-LINE, ON MICROFILM
Message ID: 85e8a2d4-c288-dd11-92da-001cc4696bcc
Office: ACTION EUR
Original Classification: CONFIDENTIAL
Original Handling Restrictions: ONLY
Original Previous Classification: n/a
Original Previous Handling Restrictions: n/a
Page Count: 5
Previous Channel Indicators: n/a
Previous Classification: CONFIDENTIAL
Previous Handling Restrictions: ONLY
Reference: 77 STATE 291277, 78 REYKJAVIK A-6, 78 STATE 41479
Retention: 0
Review Action: RELEASED, APPROVED
Review Content Flags:
Review Date: 27 apr 2005
Review Event:
Review Exemptions: n/a
Review Media Identifier:
Review Release Date: n/a
Review Release Event: n/a
Review Transfer Date:
Review Withdrawn Fields: n/a
SAS ID: 3559710
Secure: OPEN
Status: NATIVE
Subject: U.S. GOALS AND OBJECTIVES-ICELAND
TAGS: PEPR, IC, US
To: STATE
Type: TE
vdkgvwkey: odhc://SAS/SAS.dbo.SAS_Docs/85e8a2d4-c288-dd11-92da-001cc4696bcc
Review Markings:
Sheryl P. Walter
Declassified/Released
US Department of State
EO Systematic Review
20 Mar 2014
Markings: Sheryl P. Walter Declassified/Released US Department of State EO Systematic Review 20 Mar 2014